

BENTON TWP HOUSING COMMISSION

Financial Statements

September 30, 2003

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	1
 <u>FINANCIAL STATEMENTS</u>	
Combined Balance Sheet	2
Combined Statement of Income and Expenses	3
Combined Statement of Cash Flows	4
Combined Statement of Changes in Fund Balance	5
Notes to Financial Statements	6
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	13
Combining Statement of Income and Expenses	14
Schedule of Annual Federal Awards	15
Status of Prior Audit Findings	16
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	18
Schedule of Findings and Questioned Cost	20

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (988) 642-2092

Board of Commissioners
Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, Michigan 49022

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Benton Twp Housing Commission as of and for the year ended September 30, 2003. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Benton Twp Housing Commission as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principals.

In accordance with Government Auditing Standards, I have also issued my report dated May 27, 2004 on my consideration of the Benton Twp Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

May 27, 2004

BENTON TWP HOUSING COMMISSION
Combined Balance Sheet

September 30, 2003

ASSETS

C-3027

CURRENT ASSETS

Cash	\$	369,555
Accounts Receivable (Net)		214,893
Investments		174,140
Prepaid Expenses		59,744
Inter Program due from		<u>104,150</u>

Total Current Assets	\$	922,482
----------------------	----	---------

NON CURRENT ASSETS

Land	\$	250,681
Buildings		5,024,388
Furniture, Equipment- Dwellings		229,293
Furniture, Equipment- Administrative		278,905
Leasehold Improvements		6,643,569
Accumulated Depreciation		<u>(6,490,534)</u>

Total Non Current Assets		<u>5,936,302</u>
--------------------------	--	------------------

<u>TOTAL ASSETS</u>	\$	<u>6,858,784</u>
---------------------	----	------------------

September 30, 2003

LIABILITIES & EQUITY

C-3027

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	33,547	
Accrued Liabilities		63,701	
Tenants Security Deposit		60,578	
Accounts Payable- Other Governments		66,315	
Deferred Revenue		2,472	
Inter-Program due to		<u>104,150</u>	
<u>Total Current Liabilities</u>	\$		330,763

EQUITY:

Contributed Capital	\$	4,862,475	
Undesignated Fund Balance		<u>1,665,546</u>	
<u>Total Equity</u>			<u>6,528,021</u>

TOTAL LIABILITIES & EQUITY \$ 6,858,784

The Accompanying Footnotes are an Integral Part of the Financial Statements

REVENUE

Tenant Rental Revenue	\$	748,462	
HUD Grants		1,396,865	
Interest Income		7,336	
Other Income		<u>16,906</u>	
<u>Total Revenue</u>			\$ 2,169,569

EXPENSES

Administrative	\$	474,001	
Tenant Services		32,633	
Utility Expenses		444,187	
Ordinary Maintenance		497,183	
General Expenses		<u>102,427</u>	

<u>Total Expenses</u>			<u>1,550,431</u>
-----------------------	--	--	------------------

<u>Excess (Deficiency) of Revenues over Expenses</u>			\$ 619,138
--	--	--	------------

OTHER (INCOME) DEDUCTIONS

Extraordinary Maintenance & Casualty Losses	\$	20,938	
Housing Assistance Payments		316,110	
Depreciation Expenses		<u>562,106</u>	
<u>Total Other Deductions</u>			<u>899,154</u>

<u>NET PROFIT (LOSS)</u>			\$ <u>(280,016)</u>
--------------------------	--	--	---------------------

The Accompanying Footnotes are an Integral Part of the Financial Statements

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 749,831
Payments to Suppliers	(1,350,989)
Payments to Employees	(435,369)
HUD Grants	1,396,865
Other Receipts (Payments)	<u>24,242</u>
Net Cash Provided (Used) by Operating Activities	\$ 384,580

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(317,857)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 66,723
Balance- Beginning of Year	<u>302,832</u>
Balance- End of Year	\$ <u>369,555</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (280,016)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	562,106
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	65,631
Investments	28,269
Prepaid Expenses	19,496
Interfund Due From	163,593
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(54,303)
Accrued Liabilities	40,817
Security Deposits	(718)
Accounts Payable- Other Governments	2,730
Deferred Revenue	568
Interfund Due To	<u>(163,593)</u>
Net Cash Provided by Operating Activities	\$ <u>384,580</u>

The Accompanying Notes are an Integral part of the Financial Statements

Contributed Capital

Balance at Beginning of Year	\$ 5,364,372
Depreciation (add back)	<u>(501,897)</u>
Balance at End of Year	\$ <u>4,862,475</u>

Undesignated Fund Balance

Balance at Beginning of Year	\$ 1,451,072
Net Income (Loss) for the Year	(280,016)
Depreciation (add back)	501,897
Prior Period Adjustment- Capital Fund Soft Cost Reclassified as Fixed	<u>(7,407)</u>
Undesignated Fund Balance- End of Year	\$ <u>1,665,546</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Benton Twp. Housing Commission, Benton Harbor, Michigan, (Commission) was created by ordinance of Benton Township. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	300 units
MI 32-V0 032-2, 3	Section 8 Vouchers	75 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Compensated absences are for unused vacation days, personal leave days, and accumulated compensation time, based on total accumulation of time at current rates of compensation. Financial Accounting Standards Board (FASB) # 43 establishes proper generally accepted accounting principles (GAAP) concerning such accruals. The following criteria must be met:

- 1) Employee's right to compensation is attributable to past performance.
- 2) The right to compensation is vested or accumulates.
- 3) It is probable that the compensation will be paid.
- 4) The amount is reasonably estimable.

The Commission accrued a percentage of the above based on an analysis of past retirements and current potential using the above criteria.

The estimated portion of the liability for vested leave benefits attributable to the Commission is recorded as an expenditure and liability in each of the respective programs.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 296,917
Savings Accounts	72,338
Petty Cash	<u>300</u>
Financial Statement Total	\$ <u>369,555</u>

Investments:

Certificates of Deposit	\$ 61,140
U. S. Treasury Bills	<u>113,000</u>
Financial Statement Total	\$ <u>174,140</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 296,917	\$	\$	\$ 296,917	\$ 296,917
Petty Cash	300			300	300
Savings Accounts	<u>72,338</u>			<u>72,338</u>	<u>72,338</u>
Total Cash	<u>\$ 369,555</u>	<u>\$</u>	<u>\$</u>	<u>\$ 369,555</u>	<u>\$ 369,555</u>
Investments:					
C/D's	\$ 61,140	\$	\$	\$ 61,140	\$ 61,140
Treasury Bill's	<u>113,000</u>			<u>113,000</u>	<u>113,000</u>
Total Invest	<u>\$ 174,140</u>	<u>\$</u>	<u>\$</u>	<u>\$ 174,140</u>	<u>\$ 174,140</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Accounts Receivable consist of the following:

Accounts Receivable	\$	6,010	
Allowance for Doubtful Accounts		<u>(3,974)</u>	\$ 2,036
Account Receivable-Family Investment Center	\$	22,850	
Accounts Receivable- HUD		188,472	
Accrued Interest Receivable		<u>1,535</u>	<u>212,857</u>
Accounts Receivable, net			\$ <u>214,893</u>

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 250,681	\$	\$	\$ 250,681
Buildings	5,024,388			5,024,388
Furniture & Equipment-Dwellings	229,293			229,293
Furniture & Equipment-Admin	245,625	38,659	5,379	278,905
Leasehold Improvements	<u>6,364,371</u>	<u>279,198</u>		<u>6,643,569</u>
	\$12,114,358	\$ 317,857	\$ 5,379	\$12,426,836
Less Accumulated Depreciation	<u>5,933,807</u>	<u>562,106</u>	<u>5,379</u>	<u>6,490,534</u>
	\$ <u>6,180,551</u>	\$ <u>(244,249)</u>	\$	\$ <u>5,936,302</u>

Note 5: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$	13,903
Compensated Absences		5,017
Accounts Payable-HUD		743
Accounts Payable-Miscellaneous		150
Accrued Utilities Payable		<u>43,888</u>
Financial Statement Total	\$	<u>63,701</u>

Note 6: Pension Plan

The Commission participates in a pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all full time employees and requires a minimum contributions by the employee. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

-10-

Notes to Financial Statements- continued

Note 7: HUD Guaranteed Debt and Contributed Capital.

HUD guaranteed debt has been reclassified to Contributed Capital for all years ending after September 30, 1998. The reclassification is a result of all HUD programs converting from a basis of accounting prescribed by HUD other than Generally Accepted Accounting Principles (GAAP), to GAAP.

The following original Capital Contributions as a result of the above reclassification of debt to the original Contributed Capital:

FFB Notes	\$ 747,899
HUD Guaranteed Bonds	690,000

The original Contributions will be reduced by depreciation add back, and prior to June 1, 2003, increased by additional contributions.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 21,583,000
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 9: Segment Information for Enterprise Funds.

The Commission maintains an enterprise fund; segment information for the year ended September 30, 2003, is as follows:

Operating Revenue	\$ 2,169,569
operating Income	619,138
Non Operating Revenue (Expenses)	
Extraordinary Maintenance	(20,938)
Housing Assistance Payments	316,110
Depreciation Expense	(562,106)
Net Profit (Loss)	(280,016)
Non Current Assets (net)	5,936,302
Total Assets	6,858,784
Retained Earnings	1,665,546

Note 10:Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 11:Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>602,237</u>
* <u>CFDA 14.156 Housing Assistance Programs</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>355,135</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3029 Capital Projects Grants	\$ <u>439,493</u>
	\$ <u>1,396,865</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 21,583,000
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

The prior audit of the Benton Twp Housing Commission for the period ended September 30, 2002, did not contained any audit findings or questioned cost.

Government Auditing Standards
September 30, 2003

I have audited the financial statements of Benton Twp Housing Commission, Benton Harbor, Michigan, as of and for the year ended September 30, 2003, and have issued my report thereon dated May 27, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Benton Twp Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Benton Twp Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

May 27, 2004

September 30, 2003

Compliance

I have audited the compliance of Benton Twp Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. Benton Twp Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Benton Twp Housing Commission's management. My responsibility is to express an opinion on Benton Twp Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Twp Housing Commission's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Benton Twp Housing Commission's compliance with those requirements.

In my opinion, Benton Twp Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of Benton Twp Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Benton Twp Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of management and the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

May 27, 2004

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Program	X	
Capital Projects Funds	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Report on compliance for major programs-

Unqualified

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

Auditee did qualify as a low risk under Section 530 of OMB circular A-133

2) Findings relating to the financial statements reported in accordance with Government Auditing Standards:

None

3) Findings and Questioned Costs relating to Federal Awards:

None